

Message Text

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C O N F I D E N T I A L NOUAKCHOTT 1857

E.O. 11652: GDS

TAGS: EMIN, EINV, EFIN, MR, FR, UK, US, GW

SUBJECT: MIFERMA NATIONALIZATION; A SHARP LEFT TURN.

REF: NOUAKCHOTT 1848

SUMMARY: POLITICAL RATHER THAN ECONOMIC CONSIDERATIONS ARE AT CENTER GIRM SURPRISE MOVE NATIONALIZE FRENCH-CONTROLLED MIFERMA IRON MINES. NATIONALIZATION--WHICH EXTREMELY POPULAR HERE AMONG RADICAL YOUNGER PARTY AND GOVERNMENT CADRE--SEEMS INTENDED STRENGTHEN PRESIDENT OULD DADDAH'S HAND IN POSSIBLE SHOWDOWN WITH CONSERVATIVE PARTY LEADERS. DECISION ON NATIONALIZATION OBVIOUSLY MADE BY PRESIDENT ALONE WITHOUT EXTENSIVE CONSULTATIONS IN CABINET OR PARTY. THEREFORE, MODALITIES FOR COMPENSATION AND CONTINUED MINE OPERATIONS ARE STILL BEING WORKED OUT. MEANWHILE, MIFERMA MANAGEMENT HAS PROMISED CONTINUE PRODUCTION AND GIRM HAS URGED EXPATRIATE WORKERS TO STAY ON, EMPHASIZING THEY WILL CONTINUE TO BE WELCOME IN MAURITANIA.

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1. SURPRISE MOVE TO NATIONALIZE MIFERMA WAS GREETED HERE WITH NEAR UNIVERSAL APPROVAL. SPONTANEOUS DEMONSTRATIONS OF SUPPORT FOR PRESIDENT'S DECISION BEGAN IN NOUAKCHOTT AND OTHER TOWNS MOMENTS AFTER HIS NOV 28 NATIONAL DAY ANNOUNCEMENT --WHICH BROADCAST OVER NATIONAL RADIO--COMPLETED. TONE OF ANNOUNCEMENT (WHICH WAS TACKED ONTO PREPARED SPEECH ON THE STATE OF THE NATION) MADE IT CLEAR THAT DECISION WAS MADE BY PRESIDENT ALONE WITH LITTLE OR NO PRIOR CONSULTATIONS WITH PARTY OR GOVERNMENT LEADERS. OUR SUBSEQUENT CONVERSATIONS WITH FORNMIN AND MININDUSTRIAL DEVELOPMENT MAKE IT CLEAR THEY AND OTHER CABINET MEMBERS WERE INDEED TAKEN BY SURPRISE. USUALLY WELL INFORMED MIFERMA DIRGEN--WHO WAS IN NOUAKCHOTT NOV 27--WAS ALSO COMPLETELY UNAWARE OF IMPENDING ANNOUNCEMENT, AS WAS FRENCH AMBASSADOR WHO APPEARED IN STATE OF SHOCK IMMEDIATELY AFTERWARDS.

2. JUSTIFICATION FOR DECISION, AS GIVEN BY PRESIDENT DURING ANNOUNCEMENT AND LATER IN BRIEFINGS TO PRESS AND PARTY LOYALISTS, WAS THREE-FOLD. FIRST, ITS 1973 EXIT FROM FRANC ZONE AND CREATION OF NEW NATIONAL CURRENCY GAVE GIRM TOOLS IT NEEDED CONTROL OWN ECONOMIC DESTINY WITHOUT FEAR OF FRENCH REPRISALS. PRESIDENT SPECIFICALLY NOTED THAT NATIONALIZATION WOULD HAVE BEEN IMPOSSIBLE WHILE GIRM STILL IN FRANC ZONE. SECOND, SUPPORT FROM AFRICAN AND ARAB STATES, AND PARTICULARLY ARAB OIL PRODUCERS, MADE IT POSSIBLE PAY OUTSTANDING MIFERMA DEBTS AND NEGOTIATE JUST COMPENSATION TO SHAREHOLDERS. THIRDLY, PRESIDENT ACCUSED MINING COMPANY OF PYRAMIDING CORPORATE STRUCTURE TO KEEP IRON PRICES ARTIFICIALLY LOW AND THEREBY REDUCE DIRECT BENEFITS TO MAURITANIA. GIRM WOULD CONTINUE HONOR EXISTING ORE SUPPLY CONTRACTS, BUT AT TOP WORLD MARKET PRICES, THE PRESIDENT ADDED.

3. THOUGH THE POSSIBILITY OF NATIONALIZING MAURITANIA'S LARGEST ENTERPRISE HAS LONG BEEN A TOPIC OF SPECULATION HERE, THE TIMING OF THE MOVE SEEMS TO HAVE BEEN PROMPTED BY POLITICAL RATHER THAN ECONOMIC CONSIDERATIONS. WITH THE PARTY AND GOVERNMENT IN DISARRAY AS A RESULT OF A WIDENING SPLIT

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BETWEEN TRADITIONALIST AND YOUTHFUL RADICALS, AND WITH A CABINET RESHUFFLE IN THE OFFING, PRESIDENT OULD DADDAH SEEMS TO HAVE USED THE MIFERMA ANNOUNCEMENT AS A MEANS OF RALLYING RADICAL SUPPORT FOR A POSSIBLE SHOWDOWN WITH STILL POWERFUL CONSERVATIVE FORCES IN THE CABINET AND PARTY. UP TO NOV 28, THE PRESIDENT HAD CONTINUED HIS POLICY OF BALANCING TRADITIONALISTS AGAINST RADICALS IN GOVERNMENT AND PARTY. NOW HE SEEMS TO HAVE GIVEN A

CLEAR SIGNAL THAT THE RADICALS HAVE HIS BLESSINGS TO MOVE INTO THE TOP SLOTS AND TO BEGIN TO RUN THINGS IN THE ALGERIAN MODE, A MODEL MUCH ADMIRERED HERE. THUS, WE WOULD EXPECT THAT MAURITANIA'S DOMESTIC POLICY WILL INCREASINGLY MATCH ITS RADICAL FOREIGN POLICY, AND THAT THE HERETOFORE CONSERVATIVE INTERNAL FISCAL, MONETARY, ECONOMIC AND POLITICAL POLICIES OF THIS GOVERNMENT WILL GIVE WAY TO A MORE EXPERIMENTAL AND STATIST-SOCIALIST APPROACH TO POLITICAL, SOCIAL AND ECONOMIC DEVELOPMENT.

4. FOR ITS PART, FRANCE--THE MAJOR MIFERMA SHAREHOLDER--HAS NOT YET REACTED. IN FACT, THERE IS LITTLE THE FRENCH CAN DO AT THIS POINT TO INFLUENCE THE SITUATION. MIFERAM MANAGEMENT HAS INSTRUCTED ITS WORKERS TO STAY ON THE JOB AND SEEMS WILLING TO CONTINUE MANAGING THE MINES UNDER MAURITANIAN OWNERSHIP. FOR ITS PART, GIRM HAS INVITED EXPATE MIFERMA TECHNICIANS TO STAY ON AND HAS POINTENDLY WARNED MAURITANIAN WORKERS TO EXERCISE TRADITIONAL ARAB HOSPITALITY. THE WARNING HAS BEEN REINFORCED BY ARMY BAYONETS AND THE SITUATION AT MIFERMA SITES AT NOUADHIBOU AND ZOUEATE REPORTED CALM.
SHURTLEFF

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